

Tyman

Q4 update

Regional variation in resilient markets

Residential markets remain firm and Tyman's International division has been the star performer so far in H2. At the same time, supply chain challenges have constrained progress more in the other two divisions. We have modestly lowered our FY21 PBT expectations and nudged up FY22, supported by robust markets and normalising margins.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS** (p)	P/E (x)	Yield (%)
12/19	613.7	71.0	27.3	3.9	14.7	1.0
12/20	572.8	68.4	27.1	4.0	14.8	1.0
12/21e	629.4	78.8	30.9	10.0	13.0	2.5
12/22e	645.5	86.2	33.4	12.0	12.0	3.0

Note: *PBT and EPS (fully diluted) are normalised, as defined by Tyman, excluding intangible amortisation and exceptional items. **DPS – FY19 was an interim dividend only and FY20 a final dividend only.

Firm demand, supply chain challenges

Underlying residential sector end-market demand has remained firm in all three of Tyman's divisions thus far in H2, extending momentum seen at the end of FY20. That said, supply chain constraints (variously materials, labour availability and transport) have affected industry top-line growth. Consequently, compared to pre-COVID FY19, Tyman's like-for-like revenue growth has slowed for the 10 months ytd compared to H1 in North America (+6% and +10% respectively) and UK/Ireland (+4% and 7%), although International has accelerated further (+18% and +13%) and is clearly taking market share in the process. Allowing for an increasing year-on-year benefit from pricing as the year progressed (to recover rising input costs), we believe underlying volume growth has accelerated in International and slowed elsewhere during H2 so far. Note that the commercial sector has been less buoyant and exposure here will have diluted headline progress to some extent.

Mix change, marginal FY21 PBT reduction

Management caution with H1 in July was prudent and was well placed. Tyman continues to work closely with customers and pull the levers available (including managed price rises, investment and balance sheet flexibility) to mitigate operational pressures. We have amended our revenue/profit mix slightly (in favour of International at the expense of North America), resulting in marginal PBT estimate changes (lower in FY21, higher in FY22) with a sterling translation headwind already factored in. Order intake and backlogs, especially in the United States, suggest that the company will have a busy end to FY21, and should progressively feed through to improving group margins as input cost inflation is fully recovered.

Valuation: Outperforming, but well-off highs

Tyman's share price is up c 14% ytd (slightly ahead of the FTSE All-Share Index), although it has retraced significantly from its 507p peak at the beginning of June. Our estimates have not changed materially since then, so the company's rating for the closing year has compressed to a P/E of 13.0x and EV/EBITDA (adjusted for pensions cash) of 8.5x. While more optimistic expectations around mid-year will not be met, there are no material changes in our own estimates, which suggests that the share price could regain ground once supply chain tightness begins to subside.

Construction & materials

25 November 2021

Price **401p**
Market cap **£789m**

US\$1.39/£

Net debt (£m) at end June 2021 (ex IFRS 16 leases £52m) 95

Shares in issue 196.8m

Free float 91%

Code TYMN

Primary exchange LSE

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 5.0 (1.1) 29.4

Rel (local) 3.9 (2.2) 13.2

52-week high/low 507p 305p

Business description

Tyman's product portfolio substantially addresses the residential RMI and building markets with increasing commercial sector exposure following acquisitions. It manufactures and sources window and door hardware and seals, reporting in three divisions: AmesburyTruth (North America; 65% of reported FY20 revenue), ERA (UK; 16%) and SchlegelGiesse (RoW; 19%).

Next events

FY21 year end December 2021

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Exhibit 1: Financial summary

	£'m	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS											
Revenue		350.9	353.4	457.6	522.7	591.5	613.7	572.8	629.4	645.5	663.0
Cost of Sales		(236.1)	(234.0)	(290.4)	(331.8)	(383.3)	(408.1)	(380.7)	(415.9)	(423.5)	(433.0)
Gross Profit		114.8	119.4	167.3	190.9	208.3	205.6	192.1	213.5	222.0	230.0
EBITDA (pre-IFRS16)		54.6	60.9	82.5	91.7	98.5	100.8	94.9	103.4	110.0	112.2
Operating Profit (Edison)		46.9	52.9	70.9	78.8	84.7	86.2	80.7	88.9	95.3	97.2
Net Interest		(4.5)	(6.0)	(6.9)	(8.0)	(10.0)	(11.9)	(8.3)	(6.0)	(5.0)	(4.5)
Other Finance		(2.2)	(0.6)	(0.4)	(0.8)	(1.3)	(3.5)	(3.5)	(3.0)	(3.0)	(3.0)
Share Based Payments		(0.9)	(1.0)	(1.0)	(2.0)	(1.1)	(0.8)	(0.4)	(0.8)	(0.8)	(0.8)
Intangible Amortisation		(17.8)	(19.6)	(21.7)	(22.9)	(25.8)	(23.5)	(18.8)	(18.0)	(18.0)	(18.0)
Exceptionals		(9.3)	(9.4)	(10.9)	(10.0)	(7.3)	(21.4)	(1.8)	(1.0)	0.0	0.0
Other		(0.3)	(0.4)	(0.5)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Profit Before Tax (Edison norm)		39.3	45.4	62.5	68.0	72.3	70.0	68.5	79.1	86.5	88.9
Profit Before Tax (Company norm)		41.6	45.4	62.1	68.3	72.7	71.0	68.4	78.8	86.2	88.7
Profit Before Tax (statutory)		11.9	16.1	29.4	34.5	38.9	24.8	47.6	59.8	68.2	70.7
Tax		(2.6)	(8.0)	(8.6)	(3.3)	(12.5)	(7.1)	(10.4)	(12.8)	(15.4)	(16.8)
Profit After Tax (norm)		36.8	37.3	53.8	64.7	59.8	62.9	58.1	66.3	71.2	72.1
Profit After Tax (statutory)		9.3	8.1	20.7	31.2	26.3	17.7	37.2	47.0	52.9	53.8
Average Number of Shares Outstanding (m)		167.8	168.2	173.0	177.2	191.4	194.9	195.1	195.3	195.3	195.3
EPS - Edison norm (p) FD		17.1	19.3	25.5	26.6	27.3	26.8	27.2	31.1	33.5	34.0
EPS - Company norm (p) FD		18.4	19.4	25.3	26.7	27.5	27.3	27.1	30.9	33.4	33.9
EPS - statutory (p)		5.6	4.8	12.0	17.6	13.8	9.1	19.1	24.1	27.1	27.6
Dividend per share (p)		8.0	8.8	10.5	11.3	12.0	3.9	4.0	10.0	12.0	14.0
Gross Margin (%)		32.7	33.8	36.5	36.5	35.2	33.5	33.5	33.9	34.4	34.7
EBITDA Margin (%)		15.6	17.2	18.0	17.5	16.7	16.4	16.6	16.4	17.0	16.9
Operating Margin (before GW and except.) (%)		13.4	15.0	15.5	15.1	14.3	14.0	14.1	14.1	14.8	14.7
BALANCE SHEET											
Fixed Assets		410.6	398.4	564.7	509.9	612.5	618.8	575.9	552.6	535.9	518.9
Intangible Assets		355.7	340.5	480.0	427.2	516.9	475.3	446.0	422.2	403.7	385.2
Tangible Assets		42.9	42.8	71.7	68.4	77.0	125.2	112.5	113.5	115.3	116.8
Investments		12.1	15.0	12.9	14.2	18.6	18.3	17.4	16.9	16.9	16.9
Current Assets		124.0	111.0	180.6	188.1	244.8	213.9	226.6	225.8	274.7	321.1
Stocks		47.6	46.0	70.7	75.3	105.3	88.6	84.0	104.8	106.7	109.1
Debtors		37.1	35.0	69.0	70.2	87.7	76.3	72.9	81.4	83.3	85.2
Cash		39.3	30.0	40.9	42.6	51.9	49.0	69.7	39.6	84.7	126.8
Current Liabilities		(52.3)	(44.4)	(86.4)	(82.0)	(102.9)	(100.9)	(138.4)	(105.5)	(109.2)	(113.1)
Creditors		(52.3)	(44.4)	(86.4)	(80.9)	(101.4)	(100.6)	(98.1)	(105.5)	(109.2)	(113.1)
Short term borrowings		0.0	0.0	0.0	(1.1)	(1.5)	(0.3)	(40.3)	0.0	0.0	0.0
Long Term Liabilities		(176.2)	(156.7)	(285.3)	(251.4)	(320.5)	(315.5)	(221.0)	(199.8)	(198.1)	(196.4)
Long term borrowings		(128.0)	(111.6)	(216.5)	(204.3)	(259.2)	(211.5)	(128.8)	(116.3)	(116.3)	(116.3)
Other long term liabilities		(48.2)	(45.1)	(68.8)	(47.0)	(61.3)	(104.0)	(92.2)	(83.5)	(81.8)	(80.1)
Net Assets		306.1	308.3	373.6	364.5	433.8	416.3	443.1	473.0	503.2	530.5
CASH FLOW											
Operating Cash Flow		40.1	49.4	79.9	67.0	85.0	111.3	109.7	81.5	113.1	114.9
Net Interest		(4.6)	(6.2)	(7.0)	(7.6)	(9.1)	(15.0)	(12.5)	(9.0)	(8.0)	(7.5)
Tax		(6.3)	(8.9)	(12.7)	(15.1)	(12.3)	(14.2)	(13.8)	(12.3)	(14.9)	(16.3)
Capex		(10.2)	(10.9)	(15.3)	(12.6)	(12.0)	(10.7)	(10.5)	(19.3)	(16.0)	(16.0)
Acquisitions/disposals		(6.5)	6.8	(96.1)	(6.3)	(106.4)	(0.9)	(1.5)	0.0	0.0	0.0
Financing		(4.3)	(2.6)	16.7	(0.8)	47.2	(2.0)	(0.3)	(2.0)	(2.0)	(2.0)
Dividends		(10.9)	(14.6)	(15.6)	(19.5)	(22.4)	(23.6)	0.0	(15.7)	(20.7)	(24.6)
Net Cash Flow		(2.8)	13.0	(50.0)	5.1	(30.1)	44.9	71.1	23.1	51.6	48.5
Opening net debt/(cash)		78.7	88.7	81.6	175.6	162.9	208.8	162.8	99.4	76.7	31.6
Finance leases initiated		0.0	0.0	0.0	0.0	(2.0)	(0.3)	0.0	0.0	0.0	0.0
Other		(7.2)	(5.9)	(44.0)	7.6	(13.9)	1.4	(7.7)	(0.5)	(6.4)	(6.4)
Closing net debt/(cash)		88.7	81.6	175.6	162.9	208.8	162.8	99.4	76.7	31.6	(10.5)
Lease finance (under IFRS16)							60.0	53.8	51.8	51.8	51.8

Source: Company data, Edison Investment Research

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